

TOWN OF JUPITER POLICE OFFICERS' RETIREMENT FUND

MINUTES OF MEETING HELD February 11, 2019

Chairman Marc Dobin called the meeting to order at 10:02 A.M. in the Council Chambers at the Town Hall, Jupiter, Florida. Those persons present were:

TRUSTEES PRESENT

Marc Dobin
Michael Salvemini
Jason Alexandre
Michael Stevens

OTHERS PRESENT

Denise McNeill and Albert Lovingood, Pension Resource Center
Ken Harrison, Sugarman & Susskind P.A.
Chad Little, Frieman Little Actuaries
Burgess Chambers; Burgess Chambers & Associates
Michael Villella; Town of Jupiter
Eric Leventhal; Kabat, Schertzer, De La Torre, Taraboulos
Dominick Barbanara; Member of the Plan
Members of the Public

PUBLIC COMMENTS

Marc Dobin invited members of the public to make comments. There were no public comments were made.

The agenda was reordered to address the allegation of member fraud first.

ATTORNEY REPORT

ALLEGATION OF MEMBER FRAUD: Attorney Ken Harrison addressed an allegation sent to the plan administrator, accusing a member of the Plan of fraud. An allegation was made which included photos. It is of the opinion of the individual who complained that the member is in violation of their disability. Mr. Harrison explained to the Board that disability in this Plan relates solely to the function of a police officer and such members can have other jobs as long as they are not performing the duties of a police officer. He explained disability under Chapter 185 relates to the duties of a police officer which is not the same as a Social Security disability where a person cannot perform normal functions. The disability injury related to the members elbow. Mr. Barbanara appeared before the board to address the allegation. Mr. Dobin explained the Board of Trustees received the allegation/complaint along with pictures and You Tube videos. The member has a disability pension and there is an obligation to confirm if the member continues to meet the requirements of the disability approved by the Pension Board of Trustees. He further explained in the past, they have withdrawn a pension disability benefit from someone who had originally been found not to be able to perform the duties of a police officer, then later applied to two other agencies stating they could perform the duties of a police officer. Mr. Barbanara reviewed his medical condition of multiple knee surgeries and an elbow injury. He explained that he feels the allegation is retaliation from a customer of his wife's company for which he is an agent of. He explained the issue related to the customer who he feels is behind the allegation. Mr. Barbanara explained he was struck by a vehicle in November. It was a hit and run incident which left him in the ICU for two days. He asked for any information the board can provide regarding this allegation so that this situation can also be reported to the officer handling his open case as they may all be connected back to the same person who has been making death threats. Mr. Harrison explained that the person had initially asked to remain anonymous, however the Plan Administrator had explained to that person that all information presented to the Pension Board is public record and she did not think it would be possible to exclude information. Mr. Harrison explained the information must be made available for public record accordingly. The member provided a list of potential names associated with his other situation and while none of the names were a match, the person could be using a pseudonym. The member confirmed that his condition has not improved and has actually gotten worse since his retirement from the Police Department. He has since had surgery on his back, multiple surgeries on his knee and the November hit and run has left him with nerve issues and much pain. The Board discussed their options under the Plan's rules. It was noted the member is beyond normal retirement age. Mr.

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Harrison explained that even if the elbow had healed, the member would need to be eligible to be rehired by the Town. Discussion followed as to the chance of the Town hiring a 53 year old officer with other physical issues. After lengthy discussion, the Trustees determined it would be a waste of the Plan's money and time to review any further. Mr. Dobin summarized if the Board proceeds with a new IME and finds the member has healed from the initial elbow injury; given his current physical state, the Town would not rehire him; therefore there is no further action for the Board to take in this situation. Ken Harrison feels no further action is necessary; the information received does not affect the Pension Plan, the injury was job related and the member would not be rehired by the Town. Mr. Harrison asked if the Board wished to spend money to investigate further when they still will not be able to take any action.

- Jason Alexandre made a motion to take no action; due to the fiscal atmosphere that it would be a negative cost to the Pension Plan, the Town would not be able to rehire the member as an officer and the Pension Plan would need to continue paying the member a disability pension. The motion received a second by Mike Salvemini and was approved by the Trustees 4-0.

The member requested a copy of the allegation. It was determined that due to public records rules, the information would be provided to the member accordingly.

APPROVAL OF MINUTES

The Trustees reviewed the minutes of the meeting held December 2018.

- Mike Salvemini made a motion to approve the December 2018 minutes as presented. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

INVESTMENT CONSULTANT REPORT

Burgess Chambers appeared before the Board on behalf of Burgess Chambers and Associates to provide a report on the investment performance of the portfolio for the quarter ending December 31, 2018. He reported the following: The amount of volatility the recent quarter has been unprecedented with some markets being down 20% in the three month period. Due to technology and the amount of transactions that can be done immediately, this is the new 'normal'. The market has transitioned since the beginning of the year and current quarter to date, the Plan has recovered 2/3 of the funds lost in the prior quarter. The Plan had a fair amount of cash in October that was left out of the market which turned out to be positive for the Plan.

A demand letter for Fifth Third was prepared by Mr. Chambers and approved by Counsel. Mr. Chambers explained he has not seen a response from Fifth Third and he would have expected one by now. Discussion followed regarding other options. Mr. Dobin addressed another action in December with the custodian. He explained buys and sells are done on the same day all of the time and he should not have had to push the custodian to get the trade done without waiting three days. He does not want the Board to time the market and he feels "sells" and "purchases" should be done on the same day. He feels a traditional institutional trading desk would have processed both on the same day. Mr. Dobin inquired if there is any way to unbundle the bank process from the asset custody. Mr. Chambers explained an asset account can be set up at Schwab. He explained the genesis of using custodian banks. Mr. Harrison explained the use of a custodian bank is more one of past practice using an independent party to hold the assets. Mr. Harrison explained the Rules in FS 112 address the money. Banking regulations require the custodian to comply with banking rules and procedures. Mrs. McNeill explained the Board could have a local checking account to be used for paying the members and accounts payable separate from the assets as they handle such for other clients. Discussion followed regarding some assets that require self-custody such as private real estate. Mr. Chambers explained he has a Schwab account, his team is very familiar with Schwab and it could function in the manner being discussed. His team would continue to receive data and would report to the Board. The cost of

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execution would be minimal. He will need to look into how they would address rebalancing with Schwab. Mr. Harrison read the rules in FS 112 related to the assets. It does not say they must have a custodian; it only refers to a third party as security of assets and delivery. Mr. Chambers will look into the matter for the Board. The administrator will provide a quote for the payment services to pay the members and the Plan's invoices. The Board inquired if the administrator has any Plans with such a platform and Mrs. McNeill explained they do have one small, closed police pension plan that operates in this manner. Mr. Harrison advised his firm does not have any operating as such. Mr. Dobin requested the following for the next meeting: the attorney to provide an opinion if such an arrangement is permitted by FS 112 and Chapter 185; the consultant to verify if it can be set up and how it would function (how the trade action would take place); the administrator to provide a quote for the payment services. Mr. Dobin explained he feels such a change would make sense for the Plan. Mr. Chambers explained his firm is an RIA that Schwab already recognizes to work with. Mr. Harrison explained the rules reflect the monitor cannot be a direct brokerage and it needs to be a flat fee, not asset based. They would not need to do an RFP per the Statute; however he is not sure if the Town has a separate rule on the matter. Mr. Villella explained if the cost is over \$3,000, then three competitive quotes can be used and no formal RFP is required. He feels the existing custodian RFP would qualify the competitive quotes. Mr. Chambers explained he feels the industry gets complacent and does not always consider other options.

Mr. Chambers returned to the recent quarterly report. The total fund was down -7.6%; equities were down -12%; domestic equities were down -13.7%; large cap infrastructure was down -3.5%; convertibles were down -9.8%; international equity was down -12.6%, REITs were down -6.6%; private real estate was up 1.7%; fixed income was up 1.4% and cash returned 0.6%. Mr. Chambers reviewed each manager in detail reporting the situation is not working with Advent. The recent quarter should have been a test of their ability to manage and they should have done better; therefore he recommended they liquidate Advent at this time and move the index.

- Mike Stevens made a motion to liquidate the Advent convertible and move the funds to the SPDR ETF. The motion received a second by Mike Salvemini and was approved by the Trustees 4-0.

Mr. Chambers recommended moving funds from cash and moving an additional 1.7% into private real estate. Discussion followed regarding real estate and any potential concerns for another real estate bubble. Mr. Chambers explained while there are concerns, he feels interest rates will remain low and it is different this cycle versus the last real estate cycle (no commercial bank activity and not in the "overbuilt" status as before); therefore the overall environment is different. Discussion followed regarding the prior real estate interviews. Intercontinental uses higher leverage and there is a level of inherent risk in the market.

- Mike Salvemini made a motion to move \$1.2M from cash to American Realty. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

The administrator will notify American Realty and the consultant will send the trade instruction on the action accordingly.

Marc Dobin explained he had initially reported that he would be leaving the Board; however he will consider remaining on the Board as a Trustee and not as the Chairman. He feels the Chairman position should be transitioned to another Board member. He will reach out to the Town to extend his interest accordingly. He explained that overall, the Town has been happy with the status of the Plan as it has been well run and is in very good shape. Mrs. McNeill will send a revised email to the Town Clerk requesting reappointment. Mr. Stevens will consider reappointment as well.

- Mike Salvemini made a motion to accept the investment consultant report. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

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OTHER REPORTS

It was noted PomTrack monitoring reports were in the Trustee packets for informational purposes and there were no recommendations for action.

2018 AUDITED FINANCIAL STATEMENT

Eric Leventhal of Kabat Schertzer De La Torre & Taraboulos appeared before the Board to present the fiscal year ending September 30, 2018 Audited Financial Report. He reported the following. There were no issues with management or any service providers in the audit. There were no material weaknesses or deficiencies and therefore they were issuing an unmodified, clean opinion. The total net position was \$75,357,007 which was \$5,751,465 greater than 2017; contributions were higher for employer, employee and the Chapter 185 over the prior year. 2018 was a good year and while the investment earnings were not as high as 2017, they still earned over \$4.9M on investments. Administrative costs increased only slightly and there was no concern regarding the increase. The auditor provided a report for the Town's auditor at the request of the Town, regarding the schedule of pension amounts. The auditor received full cooperation from all entities, there were no internal control deficiencies and they had no recommendations. Discussion followed regarding the Board's administrative cost. Mr. Leventhal explained their total cost was 0.19%. Out of the thirty pension clients their firm audits, this Plan's administrative cost was the fourth lowest. He reminded the Trustees that his engagement is not to find internal control issues; but to report them if they are identified.

- Jason Alexandre made a motion to approve the 2018 Audited Financial Statement as presented. The motion received a second by Michael Stevens and was approved by the Trustees 4-0.

Mr. Leventhal reported their recent peer review report has been finalized and their firm received two deficiencies. Both were not to the quality of the audit or they would have failed instead of only receiving deficiencies. The deficiencies related to not documenting their independence and not formally documenting an assessment of risk. They have corrected and cured the deficiency in accordance with the National Audit Council's rules. The Town's auditor is reviewing KSDT's work papers to ensure they meet the necessary requirements due to the issues in the recent peer review report.

ATTORNEY REPORT - CONTINUED

SHARE POLICY UPDATE: Mr. Harrison confirmed the Share Policy was updated and should be ready for signature.

COHEN & STEERS CIT AGREEMENT: Mr. Harrison explained they had received the side letter from Cohen & Steers and the agreement is ready for signature.

LEGISLATIVE UPDATES: Mr. Harrison reported the following: There are five Bills in the session relative to pension funds. One particular Bill is related to public records and meeting postings which will affect the administrator if it passes. There is currently nothing under the Division of Retirement for pension funds. There is some talk about the IRS determination letter process returning; however the IRS is having difficulty keeping up on their regular business process so he isn't sure what to expect on that subject.

ACTUARY REPORT

PROJECTED BASES UNFUNDED LIABILITY: Chad Little reviewed the projected bases for the unfunded accrued liability. He explained when his firm took over as actuary in 2006, the amortization payment was \$755,300 and the unfunded liability was expected to grow and peak around 2018. He reviewed the 2018 through 2037 schedule. He explained the payroll growth

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cannot be larger than the last ten years. The transition to level dollar was done at the time when the cost was relative and would not have a significant impact on the Plan. The assumed rate of return has been changed from 7.5% down to 7.4% (as instructed from the prior meeting). Overall the Plan is in a much better position due to the changes initiated by the Board as well as due to the strong investment return.

2018 ACTUARIAL VALUATION REPORT: Chad Little presented the 2018 Actuarial Valuation Report. He reported the employer contribution reduced slightly from the current 29.81% down to 28.84% and the Plan's funded status was 91% with a lower assumed rate of return. He reviewed the participant data noting pay increases were less than anticipated and they have only had one year in the past ten where the pay was higher than the assumed rate. At some point they will need to do an experience review and may want to make adjustments to the assumptions. The smoothed value of investment return was 6.66% which was a loss below the 7.5% assumed rate. He reviewed the Share account balance noting the total amount is up to \$290,203.62. The unfunded accrued liability decreased from \$7.8M down to \$7.5M. The impact on cost of each assumption was reviewed and even with the smoothed investment loss, the Plan still experienced a decrease in their unfunded liability. Payroll was less due to lower increases than expected. Mr. Villella confirmed he has no questions regarding the report and the Town is fine relative to the Pension Plan.

- Jason Alexandre made a motion to approve the 2018 Actuarial Valuation Report as presented. The motion received a second by Mike Salvemini and was approved by the Trustees 4-0.

GASB67 AND 68 REPORTS: The GASB 67 & 68 Reports were included in the packets for informational purposes. There was no need for Mr. Little to review the reports.

Mr. Little explained it was a challenging valuation season. He requested the auditor provide the financial information sooner for the 2019 valuation. He would like the draft assets by December 1st if possible. Mrs. McNeill will make the request of the auditor. She explained their financial statements were sent to the auditor November 3, 2018 and she is not certain if they can be released any sooner than that due to when the administrator receives the fiscal year end custody statements.

Discussion followed regarding the expected rate of return, currently at 7.4%.

- Mike Salvemini made a motion to confirm the expected rate of return for the short-term mid-term and long-term as 7.4%. The motion received a second by Mike Stevens and was approved by the Trustees 4-0.

SHARE PLAN POLICY UPDATE: Discussion followed regarding the Share Policy. The updates dealt mostly with a vested terminated member who withdraws from the pension. If the member leaves and they are not vested, the funds will be put aside for five years. If, after five years, the member is not rehired, then the forfeited assets will be distributed to remaining members. Any vested deferred member who takes a refund and foregoes a pension benefit will still be eligible to receive their Share money. The Plan has at least one such vested deferred member who took a refund and should receive a Share distribution and there may be one more if the Board approves the pending distribution at this meeting.

- Mike Salvemini made a motion to approve the Share Policy revisions as discussed. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

Mike Salvemini inquired into the pension benefit tiers. He explained there was discussion at the last meeting regarding tiers and a 3% multiplier. Mr. Little explained that he works for the Board and traditionally, the Board would give him direction to provide benefit and cost detail. Typically the cost for his service would be paid by the party requesting the information (either the Union or the Town). Sometimes if the parties are at the bargaining table and the Board is instructed to do

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a cost review, then the Plan would pay for his services. If a request is made to keep the cost private for one side of the negotiating party and that party is paying for his service, then it can be done for the specific party privately. Either way, the Board would need to authorize the actuary to work for the Union at the Union's expense. Mike Salvemini inquired on the Town's opinion of eliminating the Tier Two, giving all members the original benefit now known as Tier One and if the Town would be willing to split the cost for the actuary. Mr. Villella explained the change was previously done in negotiations and the original analysis was done by Foster and Foster for the Town of Jupiter and the PBA. Ken Harrison explained the matter will end up in collective bargaining either way so the Union should make the request. Mike Villella confirmed the Town will share the cost of the actuary with the Union. Mr. Salvemini confirmed they would want to see a combination of the Tiers into one, the multiplier moved from the 2.75% to 3% and retroactive to the Tier change. Mr. Little will need the formal request in writing from the Union.

- Mike Stevens made a motion authorizing the actuary to provide information to the Union or Town as requested for negotiations. The motion received a second by Jason Alexandre and was approved by the Trustees 4-0.

APPROVAL OF DISBURSEMENTS

The Disbursement list was presented for consideration.

- Jason Alexandre made a motion to approve the disbursements as presented. The motion received a second by Mike Stevens and was approved by the Trustees 4-0.

It was noted the financial statement through December was included in the trustee packet for review.

ADMINISTRATIVE REPORT

BENEFIT APPROVALS: There were no benefit approvals for consideration at this time. Mrs. McNeill reported there are a couple of DROP entries pending.

DROP AND SHARE ONLINE STATEMENT ACCESS: As requested from the prior meeting, Mrs. McNeill provided a quote to allow members to access their annual DROP and Share Statements from the actuary, through the administrator's website. She explained it will require that they receive an Excel file with the specific information along with a template Word document from the actuary. The administrator currently uses a similar process for another client where the member can access a statement which is created from the file when the member logs in to view it. The only concern is that members need to understand the detail for the statements will only be provided annually so it will not be a live reflection of their DROP account if distributions have been made in the current fiscal year. The actuary explained he sent a listing for the Share accounts and does not have a template for the Share statements for the Plan.

- Jason Alexandre made a motion to accept the quote from the Resource Centers to provide members access to their September 30th DROP and Share statements for an initial fee of \$1,000 and an annual update fee of \$300. The motion received a second by Mike Stevens and was approved by the Trustees 4-0.

The administrator will need both Excel files as well as the DROP statement template from the actuary to set up the program accordingly.

CUSTODIAN RFP

The RFP was tabled to the May meeting. Mr. Dobin explained they will need to consider the alternative of having a Schwab account at the next meeting.

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OTHER BUSINESS

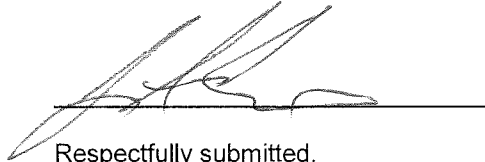
WALLING REFUND: Mrs. McNeill had presented the Board with a refund request and affidavit from vested deferred member Amy Walling, requesting to take a refund of her employee contributions in lieu of a pension benefit when she is eligible for retirement. Discussion followed regarding the process and Mrs. McNeill confirmed the same procedures were followed as with the prior similar request and the member had received a formal benefit calculation reflecting the benefit that will be lost by taking a refund of contributions.

- Mike Salvemini made a motion to approve the refund of contributions for Amy Walling accordingly. The motion received a second by Mike Stevens and was approved by the Trustees 4-0.

Ken Harrison reported there will be a new Safe Harbor provision and he will update the Plan information accordingly.

The Trustees confirmed the next meeting had been previously scheduled for May 13, 2019.

With there being no further business, the meeting adjourned at 12:47 P.M.

A handwritten signature in dark ink, appearing to read 'J. Alexandre', is written over a horizontal line.

Respectfully submitted,

Jason Alexandre, Secretary